

NEW ZEALAND OIL & GAS LIMITED

NZ Reg. Coy. No. 037842
 ARBN 003 064 962
 www.nzog.com

Results for announcement to the market

Reporting Period	6 months to 31 December 2007
Previous Reporting Period	12 months to 30 June 2007
Comparative Reporting Period	6 months to 31 December 2006

	Amount (NZ\$ 000s)		Increase / (decrease)
	6 months to 31 December 2007	6 months to 31 December 2006	%
Revenue from ordinary activities	95,490	92	103,700
(Deficit) / surplus from ordinary activities after tax attributable to security holders	41,406	491	8,300
Net profit / (loss) attributable to security holders	41,406	491	8,300
	NZ\$	NZ\$	%
Net Tangible Assets per share	0.74	0.66	12

Interim/Final Dividend	Amount per security	Imputed amount per security
	N/A	N/A

Record Date	N/A
Dividend Payment Date	N/A

Comments:	Refer to accompanying Appendix 1
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Accompanying this announcement are the company's condensed interim financial statements that have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the matters to which the statements relate.

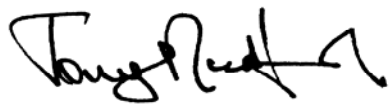
The condensed interim financial statements are the first financial reports prepared under New Zealand International Financial Reporting Standards (NZ IFRS). Full year and half year reports to 30 June 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain aspects from NZ IFRS. Details to the change are shown in note 23 "Explanation of transition to New Zealand equivalents to IFRSs".

These financial statements provide the balance of information required in accordance with Listing Rule 10.4.2, Appendix 1.

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New Zealand Oil & Gas Limited Condensed Interim Financial Statements for the half-year ended 31 December 2007

The condensed interim financial statements of New Zealand Oil & Gas Limited, presented on pages 2 to 34, is approved for and on behalf of the Board:



RA Radford
Director

27 February 2008



PG Foley
Director

27 February 2008

New Zealand Oil & Gas Limited
Condensed Statement of Financial Performance
For the half-year ended 31 December 2007

		Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
	Notes			
Revenue from continuing operations	5	95,490	92	4,234
Expenses, excluding finance costs	6	(29,979)	(5,301)	(10,692)
Net finance costs	6	(1,746)	1,174	9,472
Total expenses	6	(31,725)	(4,127)	(1,220)
Share of net loss of associate		(112)	-	-
Profit/(loss) before income tax and royalties		<u>63,653</u>	<u>(4,035)</u>	<u>3,014</u>
Income tax (expense)/benefit		(15,719)	4,526	3,747
Royalties expense		(6,528)	-	-
Profit for the period		<u>41,406</u>	<u>491</u>	<u>6,761</u>
Attributable to:				
Equity holders of Parent		41,406	538	7,059
Minority interest		-	(47)	(298)
		<u>41,406</u>	<u>491</u>	<u>6,761</u>
		Cents	Cents	Cents
Earnings per share attributable to share holders:				
Basic earnings per share	22	15.7	0.2	2.9
Diluted earnings per share	22	10.3	0.2	1.8

The above statement of financial performance should be read in conjunction with the accompanying notes on pages 6 to 34.

New Zealand Oil & Gas Limited
Condensed Statement of Financial Position
As at 31 December 2007

	Notes	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Current assets				
Cash and cash equivalents	7	60,064	35,206	35,383
Receivables and prepayments	8	26,501	2,921	2,669
Inventories		499	72	32
Derivative financial instruments		-	-	372
Current tax receivables		-	2	-
Deferred expenditure		-	1,827	3,999
Total current assets		87,064	40,028	42,455
Non-current assets				
Investment in associates	10	51,810	2,280	2,280
Exploration and evaluation, development and production assets	12	158,366	140,334	218,450
Deferred expenditure		5,690	2,740	3,219
Property, plant and equipment		325	304	301
Intangible assets		86	203	188
Deferred tax assets		-	11,553	12,965
Other financial assets	13	3,543	15,188	5,537
Total non-current assets		219,820	172,602	242,940
Total assets		306,884	212,630	285,395
Current liabilities				
Payables and provisions	14	26,101	14,439	26,464
Borrowings	15	42,819	-	39,236
Derivative financial instruments		1,676	277	-
Current tax liabilities		-	-	459
Total current liabilities		70,596	14,716	66,159
Non-current liabilities				
Borrowings	16	23,219	18,947	16,261
Deferred tax liabilities		2,903	-	-
Restoration and rehabilitation provision		15,137	11,920	13,930
Total non-current liabilities		41,259	30,867	30,191
Total liabilities		111,855	45,583	96,350
Net assets		195,029	167,047	189,045
Equity				
Share capital	17	154,777	129,118	154,457
Reserves		(7,084)	232	(5,454)
Retained earnings		47,336	(591)	5,930
Parent entity interest		195,029	128,759	154,933
Minority interest		-	38,288	34,112
Total equity		195,029	167,047	189,045

The above statement of financial position should be read in conjunction with the accompanying notes on pages 6 to 34.

New Zealand Oil & Gas Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2007

	Attributable to members of New Zealand Oil & Gas Limited				
	Issued capital	Reserves	Retained earnings	Minority interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2006	111,879	3,743	(1,129)	38,335	152,828
Changes in fair value of available for sale financial assets, net of tax	-	675	-	-	675
Foreign currency translation differences	-	(4,186)	-	-	(4,186)
Profit for half-year	-	-	538	(47)	491
Total recognised income and expense for the period	-	(3,511)	538	(47)	(3,020)
Shares issued	17,230	-	-	-	17,230
Options exercised	3	-	-	-	3
Partly paid shares issued	6	-	-	-	6
	17,239	-	-	-	17,239
Balance at 31 December 2006	129,118	232	(591)	38,288	167,047
	Attributable to members of New Zealand Oil & Gas Limited				
	Issued capital	Reserves	Retained earnings	Minority interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2006	111,879	3,743	(1,129)	38,335	152,828
Changes in fair value of available for sale financial assets, net of tax	-	(3,256)	-	-	(3,256)
Foreign currency translation differences	-	(5,941)	-	-	(5,941)
Profit for the year	-	-	7,059	(298)	6,761
Total recognised income and expense for the period	-	(9,197)	7,059	(298)	(2,436)
Shares issued	42,562	-	-	-	42,562
Options exercised	5	-	-	-	5
Partly paid shares issued	11	-	-	-	11
Gain on issue of shares to minorities	-	-	-	(3,925)	(3,925)
	42,578	-	-	(3,925)	38,653
Balance at 30 June 2007	154,457	(5,454)	5,930	34,112	189,045
	Attributable to members of New Zealand Oil & Gas Limited				
	Issued capital	Reserves	Retained earnings	Minority interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007	154,457	(5,454)	5,930	34,112	189,045
Foreign currency translation differences	-	(1,630)	-	-	(1,630)
Profit for half-year	-	-	41,406	-	41,406
Total recognised income and expense for the period	-	(1,630)	41,406	-	39,776
Shares issued	318	-	-	-	318
Partly paid shares issued	2	-	-	-	2
Minority interest reduction on deconsolidation	-	-	-	(34,112)	(34,112)
	320	-	-	(34,112)	(33,792)
Balance at 31 December 2007	154,777	(7,084)	47,336	-	195,029

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 6 to 34.

New Zealand Oil & Gas Limited
Condensed Cashflow Statement
For the half-year ended 31 December 2007

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Cash flows from operating activities			
Receipts from customers	62,143	-	-
Interest received	1,382	1,662	2,147
Other revenue	-	24	114
Production expenditure	(7,221)	-	-
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(4,442)	(2,268)	(6,392)
Interest paid	(660)	(8)	(12)
Income taxes paid	(312)	(2)	-
Net cash inflow / (outflow) from operating activities	<u>50,890</u>	<u>(592)</u>	<u>(4,143)</u>
Cash flows from investing activities			
Repayment of loans by related parties	16,264	-	-
Exploration and evaluation expenditure	(4,308)	(4,961)	(8,353)
Development expenditure	(48,488)	(36,240)	(102,895)
Purchase property, plant and equipment	(241)	(88)	(171)
Security deposits	-	(2,287)	(2,914)
Net cash inflow / (outflow) from investing activities	<u>(36,773)</u>	<u>(43,576)</u>	<u>(114,333)</u>
Cash flows from financing activities			
Issues of shares	41	17,234	42,567
Issue of shares to minority interests	-	19,400	19,400
Proceeds from exercise of options	-	3	5
Borrowings	37,725	7,060	39,045
Proceeds from sale of equity investments	-	-	12,550
Convertible notes issued	-	-	7,500
Repayment of borrowings	(17,650)	(2,404)	(2,404)
Deferred expenditure	(3,368)	(1,740)	(3,738)
Other	-	-	(35)
Net cash inflow / (outflow) from financing activities	<u>16,748</u>	<u>39,553</u>	<u>114,890</u>
Net increase (decrease) in cash and cash equivalents	30,865	(4,615)	(3,586)
Cash and cash equivalents at the beginning of the period	35,383	41,712	41,712
Cash decrease from deconsolidation of subsidiary company	(7,406)	-	-
Effects of exchange rate changes on cash and cash equivalents	1,222	(1,891)	(2,743)
Cash and cash equivalents at end of the period	<u>60,064</u>	<u>35,206</u>	<u>35,383</u>

The above cashflow statement should be read in conjunction with the accompanying notes on pages 6 to 34.

1 General information

New Zealand Oil and Gas Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand ("NZX") and Australian Stock Exchanges ("ASX"). The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed interim financial statements (hereafter referred to as the "financial statements") presented herewith as at and for the half year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

These financial statements have been approved for issue by the Board of Directors on 27 February 2008.

2 Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2007 has been prepared in accordance with Accounting Standard NZ IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007.

These are the Group's first NZ IFRS financial reports and NZ IFRS 1, First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, has been applied.

(A) Basis of preparation of half-year financial report

Basis of measurement

These financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments and available-for-sale assets.

Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional and presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Application of NZ IFRS 1

Financial statements of the Group until 30 June 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Group's interim financial report for the half year ended 31 December 2007, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS.

Reconciliation's and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company's equity and its net income are given in note 23.

In preparing these financial statements in accordance with NZ IFRS 1 the Company and Group have applied certain optional exemptions from full retrospective application of NZ IFRS. Further details are given in note 23.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the recoverability of evaluation and exploration & development assets, the provision for restoration and rehabilitation obligations and the recoverability of deferred tax assets.

The assumptions required to be made in order to assess the recoverability of exploration and evaluation, mine and development assets include the future commodity prices, future cash flows, an estimated discount rate and estimates of reserves.

The assumptions made in respect of restoration and rehabilitation obligations include an estimate of future costs, timing of required restoration and an estimated discount rate.

The key assumptions concerning the recoverability of deferred tax assets is the certainty of entity's in the Group to generate future taxable income.

2 Summary of significant accounting policies (continued)

(B) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of financial performance.

Intercompany transactions, balances and unrealised gains on transactions between company companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

(ii) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates, except for the Employee Share Ownership Plan ("ESOP"), are accounted for using the equity method (equity accounted investees). The financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. (refer to note 10).

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

(iii) *Joint ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The financial statements include the Group's proportionate share of the joint ventures' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

(C) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 Summary of significant accounting policies (continued)

(iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at balance date;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a component of equity.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the statement of financial performance as part of the gain or loss on sale.

(D) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through statement of financial performance, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Available-for-sale financial assets

The Group's investments in equity securities and certain joint ventures where the Group does not have joint control are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of financial performance.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables

Trade and other payables are stated at cost.

Other

Cash and cash equivalents in the statement of financial position comprise cash at bank and deposits at call with an original maturity of three months or less. Cash also includes the Group's share of cash held as participant of joint ventures and cash held in a pre-completion reserve under the Group's interest bearing borrowing arrangements.

Accounting for finance income and expense is discussed in note 2(O).

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

2 Summary of significant accounting policies (continued)

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to commodity risks and foreign exchange risks arising from operational and financing activities. Derivatives that do not qualify for hedge accounting and are accounted for as trading instruments.

Trading instruments

These derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of financial performance.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of financial performance.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the statement of financial performance in the same period that the hedged item affects the financial performance.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the statement of financial performance as part of foreign currency gains and losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the statement of financial performance.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in the statement of financial performance. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2 Summary of significant accounting policies (continued)

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised in equity.

(E) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Development assets

The cost of tangible assets involved in development are capitalised as development assets under property, plant and equipment and are depreciated over their estimated useful lives.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of financial performance as incurred.

(iv) Depreciation

Depreciation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings	18 years
- Plant and equipment	4-18 years
- Motor vehicles	5 years
- Furniture and fittings	5-8 years
- Technical and computer equipment	2-5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Once production commences, production assets are amortised over the earlier of their useful life and the life of the proved and probable reserves on a units of production basis. Thus, the economic life of such equipment is dependent on future production and remaining reserves, and therefore varies from project to project.

(F) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the statement of financial performance.

2 Summary of significant accounting policies (continued)

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Research, exploration and evaluation expenditure and development expenditure

Research

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of financial performance as an expense when it is incurred.

Exploration and evaluation

Exploration and evaluation expenditure costs capitalised represents an accumulation of costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which: (i) Such costs are expected to be recouped through successful development of the area of interest, or alternatively, by its sale; or (ii) Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation expenditure are impaired in the statement of financial performance under the successful efforts method of accounting, in the period that exploration work demonstrates that an area of interest or any part thereof, is no longer prospective for economically recoverable reserves or when the decision to abandon an area of interest is made. An area of interest is defined by the Group, as being a permit area, where rights of tenure are current.

Upon technical feasibility and commercial viability of an area of interest, Exploration and Evaluation assets for the area of interest is transferred to Development assets.

The recoverability of Exploration and Evaluation assets is contingent upon facts, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of permits granted and joint venture agreements.

Development

Development assets include construction, installation and completion of infrastructure facilities such as pipelines and the cost of development wells or mines.

Production assets

Production assets capitalised represent the accumulation of all development expenditure incurred by the Group in relation to areas of interest in which petroleum or coal production has commenced. Expenditure on production areas of interest and any future expenditure necessary to develop proven and probable reserves to meet current commitments under sales contracts, are amortised using the production output method or on a basis consistent with the recognition of revenue. The carrying value is assessed for impairment.

Subsequent costs

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of financial performance during the financial period, in which they are incurred.

Amortisation

No amortisation is provided, in respect of development assets, until they are reclassified as Production assets.

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

2 Summary of significant accounting policies (continued)

(G) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(H) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of financial performance.

(i) *Impairment of equity instruments.*

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose prolonged is regarded as any period longer than nine months and significant as more than 20 percent of the original purchase price of the equity instrument.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the statement of financial performance.

(ii) *Impairment of receivables*

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

(iii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. For exploration and evaluation intangible assets the method for reviewing for impairment is described in 2H(iv).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of financial performance. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Summary of significant accounting policies (continued)

(iv) Exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when either the period of the exploration right has expired or will expire in the near future, substantive expenditure on further exploration for and evaluation in the specific area is neither budgeted or planned, exploration for and evaluation in the specific area have not led to the discovery of commercially viable quantities and the Group has decided to discontinue such activities in the area or there is sufficient data to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Any impairment loss is recognised as an expense in the statement of financial performance in the period.

(I) Goods and Services Tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(J) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(K) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Make good provision

A make good provision is recognised in respect of the Group's obligation in relation to its leased buildings.

(ii) Restoration and rehabilitation provision

The restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities includes the removal of facilities, abandoning of wells, abandoning of mines and restoring the affected areas.

(L) Borrowing costs

Borrowing costs relating to assets under development up to the date that substantially all activities necessary to prepare assets under development for intended use are complete, are capitalised as a cost of the development. Where funds are borrowed specifically for qualifying projects the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings the borrowing costs are capitalised based on the weighted average borrowing rate.

(M) Revenue recognition

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST).

(i) Sales of goods

Sales comprise revenue earned from the provision of petroleum products. Revenue is recognised when title transfers and the rights and obligations of ownership pass to the customer.

(ii) Royalty income

Royalty income is recognised on the date the Company's right to receive payment is established.

2 Summary of significant accounting policies (continued)

(N) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(O) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, foreign currency gains, gains on hedging instruments that are recognised in the statement of financial performance and changes in the fair value of available for sale assets transferred from equity. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the statement of financial performance. All borrowing costs are recognised in the statement of financial performance using the effective interest method.

(P) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of financial performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Royalties

Government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of "taxable profit". Current and deferred tax is then provided on the same basis as described above. Royalty arrangements that do not meet the criteria for treatment as a tax are recognised on an accruals basis.

(Q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the financial performance attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the financial performance attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises issued convertible notes and granted share options.

2 Summary of significant accounting policies (continued)

(R) Segment reporting

A segment is a separately identifiable component of the Group that is engaged in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

(S) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted. The adoption of these following standards are not expected to have a material impact on the Group's financial statements:

- **IFRS 8, Operating Segments** - (effective from annual periods beginning on or after 1 January 2009)
- **NZIAS 1, Presentation of Financial Statements (revised)** - (effective from annual periods beginning on or after 1 January 2008).
- **NZIAS 23, Borrowing costs (revised)** - (effective from annual periods beginning on or after 1 January 2009).

3 Transition to NZ IFRS

Basis of transition to NZ IFRS

Application of NZ IFRS 1

The Group's financial statements for the half year ended 31 December 2007 are the first financial statements that comply with NZ IFRS. These financial statements have been prepared as described in note 2(A). The company has applied NZ IFRS 1 in preparing these financial statements.

The Group's transition date is 1 July 2006. The Group prepared its opening NZ IFRS financial position at that date. The reporting date of these financial statements is the half year ended 31 December 2007.

In preparing these financial statements in accordance with NZ IFRS 1, the company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application:

(a) *Business combinations*

The Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 July 2006 transition date. The application of this exemption is detailed in note 23.

(b) *Employee benefits*

The Group has elected to recognise all cumulative actuarial gains and losses as at 1 July 2006. The application of this exemption is detailed in note 23.

(c) *Cumulative translation differences exemption*

The Group has elected to set the previously accumulated cumulative translation to zero at 1 July 2006. This exemption has been applied to all subsidiaries in accordance with NZ IFRS 1. The application of this exemption is detailed in note 23.

(d) *Designation of financial assets and financial liabilities*

The Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss. The adjustments relating to NZ IAS 32 and NZ IAS 39 at the opening balance sheet date of 1 July 2007, the NZ IAS 32 and NZ IAS 39 transition date, are detailed in note 23.

(e) *Insurance contracts exemption*

The company does not issue insurance contracts; this exemption is not applicable.

3 Transition to NZ IFRS (continued)

(f) *Decommissioning liabilities included in the cost of property, plant and equipment (PPE)*

The Group recognises a provision in respect of environmental liabilities relating to contamination caused to land from the installation of assets and from its production processes. The exemption provided in NZ IFRS 1 from the full retrospective application of NZ IFRIC 1 has been applied to determine the adjustment required to PPE in respect of the obligation to decommission existing production facilities. The application of this exemption is detailed in note 23.

Reconciliation's between IFRS and GAAP

The reconciliation's in note 23 provide a quantification of the effect of the transition to NZ IFRS. The first reconciliation provides an overview of the impact on equity of the transition at 1 July 2006, 30 June 2007 and 31 December 2007.

4 Segment information

The group operates in the petroleum and coal industries in New Zealand.

5 Revenue

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Petroleum sales	84,213	-	-
Gain on issue of shares in subsidiary	-	-	3,924
Gain on dilution of investment in subsidiary (see note 10)	11,201	-	-
Other income	<u>76</u>	<u>92</u>	<u>310</u>
Total revenue	<u>95,490</u>	<u>92</u>	<u>4,234</u>

6 Expenses

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Expenses, excluding finance costs, comprises the following classified by nature:			
Audit fees	25	58	100
Director fees	136	265	443
Legal fees	169	186	495
Employee expenses	1,300	1,000	2,509
Production costs (excluding amortisation)	7,221	-	-
Depreciation and amortisation expense	8,255	103	207
Petroleum and coal exploration expenditure provided for or written off	10,631	2,551	3,698
Other expenses	<u>2,242</u>	<u>1,138</u>	<u>3,240</u>
Total expenses, excluding finance costs	<u>29,979</u>	<u>5,301</u>	<u>10,692</u>
Profit before income tax includes the following specific expenses:			
<i>Depreciation</i>			
Buildings	6	-	1
Plant and equipment	-	50	99
Furniture and fittings	15	5	9
Computer hardware	20	18	36
Office equipment	<u>10</u>	<u>4</u>	<u>8</u>
Total depreciation	<u>51</u>	<u>77</u>	<u>153</u>
<i>Amortisation</i>			
Computer software	33	26	54
Production asset	<u>8,171</u>	<u>-</u>	<u>-</u>
Total amortisation	<u>8,204</u>	<u>26</u>	<u>54</u>
Total depreciation and amortisation	<u>8,255</u>	<u>103</u>	<u>207</u>

6 Expenses (continued)

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
<i>Finance costs</i>			
Interest and finance charges paid/payable	897	90	591
Exchange losses on foreign currency balances	232	432	879
Net fair value loss on derivatives	2,048	-	-
Amortisation of finance costs	982	-	-
	<u>4,159</u>	<u>522</u>	<u>1,470</u>
<i>Finance income</i>			
Interest income	1,162	1,696	2,259
Exchange gains on foreign currency balances	1,251	-	88
Net gain on available for sale assets	-	-	7,966
Net fair value gain on derivatives	-	-	629
	<u>2,413</u>	<u>1,696</u>	<u>10,942</u>
Net finance cost/(income)	<u>1,746</u>	<u>(1,174)</u>	<u>(9,472)</u>

7 Cash and cash equivalents

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Cash at bank and in hand	9,960	13,043	5,178
Deposits at call	50,104	22,163	30,205
Total cash and cash equivalents	<u>60,064</u>	<u>35,206</u>	<u>35,383</u>

8 Receivables and prepayments

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Trade debtors	24,884	1,277	1,558
Interest receivable	82	34	162
Prepayments	1,224	1,155	403
Other	311	455	905
Total receivables and prepayments	<u>26,501</u>	<u>2,921</u>	<u>2,669</u>

9 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(B):

Name of entity	Country of incorporation	Classes of shares	Equity holding	
			December 2007 %	December 2006 %
ANZ Resources Pty Limited	Australia	Ordinary	100	100
Australia and New Zealand Petroleum Limited	New Zealand	Ordinary	100	100
Kupe Royalties Limited	New Zealand	Ordinary	100	100
National Petroleum Limited	New Zealand	Ordinary	100	100
Nephrite Enterprises Limited	New Zealand	Ordinary	100	100
NZOG 38483 Limited	New Zealand	Ordinary	100	100
NZOG 38484 Limited	New Zealand	Ordinary	100	100
NZOG Deepwater Limited	New Zealand	Ordinary	100	100
NZOG Development Limited	New Zealand	Ordinary	100	100
NZOG Energy Limited	New Zealand	Ordinary	100	100
NZOG Offshore Limited	New Zealand	Ordinary	100	100
NZOG Resources Limited	New Zealand	Ordinary	100	100
NZOG Services Limited	New Zealand	Ordinary	100	100
NZOG Taranaki Limited	New Zealand	Ordinary	100	100
Oil Holdings Limited	New Zealand	Ordinary	100	100
Petroleum Resources Limited	New Zealand	Ordinary	100	100
Petroleum Equities Limited	New Zealand	Ordinary	100	100
Pike River Coal Limited (PRCL) (Note (ii))	New Zealand	Ordinary	31	61
Resource Equities Limited	New Zealand	Ordinary	100	100
Stewart Petroleum Company Limited	New Zealand	Ordinary	100	100

Notes:

- (i) All subsidiary and associate companies have a balance date of 30 June. All wholly owned subsidiaries are involved in the petroleum exploration industry.
- (ii) From the 20 July 2007 the group's investment in PRCL has changed from a subsidiary to an associate (see note 10 for details).

10 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest			As at		
		31 Dec 2007	31 Dec 2006	30 Jun 2007	Unaudited Half Year 31 Dec 2007	Unaudited Half Year 31 Dec 2006	Audited Full Year 30 Jun 2007
		%	%	%	\$'000	\$'000	\$'000
<i>Listed</i>							
Pike River Coal Limited	Coal mine development	31	61	54	49,530	-	-
<i>Unlisted</i>							
NZOG Nominees Limited	Investment	50	50	50	<u>2,280</u>	<u>2,280</u>	<u>2,280</u>
					<u>51,810</u>	<u>2,280</u>	<u>2,280</u>

Each of the above associates is incorporated in New Zealand and have a balance date of 30 June.

For associate company NZOG Nominees Ltd equity accounting has not be applied as the amounts involved are not material.

On the 20 July 2007 the group's investment in PRCL was diluted from 54% to 31% with PRCL being floated on the NZSX and ASX. From that date the investment in PRCL is shown as an associate.

NZOG's holding in PRCL comprises 62 million ordinary shares, 11 million options that are exercisable on or before 30 June 2009 and a \$3.5 million convertible note that matures on the 31 December 2008 (see note 13). The market value of NZOG's investment in PRCL at 31 December 2007 was \$70 million.

Unaudited Half Year 31 December 2007	Unaudited Half Year 31 December 2006	Audited Full Year 30 June 2007
\$'000	\$'000	\$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the year	2,280	2,280	2,280
Share of surplus/(deficit) after income tax for the period	(112)	-	-
Recognition of PRCL as an associate investment	<u>49,642</u>	<u>-</u>	<u>-</u>
Carrying amount at the end of the period	<u>51,810</u>	<u>2,280</u>	<u>2,280</u>

11 Interests in joint ventures

NZOG group interests held at balance date, in significant unincorporated joint ventures established to explore, develop and produce petroleum:

Name of entity	Notes	Interests held by the group		
		Unaudited Half Year 31 December 2007	Unaudited Half Year 31 December 2006	Audited Full Year 30 June 2007
PML 38146 - Kupe		15.0 %	15.0 %	15.0 %
PMP 38158 - Tui		12.5 %	12.5 %	12.5 %
PEP 38483 - Hector		18.9 %	18.9 %	18.9 %
PEP 38483 - Hector South Sub Block		12.5 %	12.5 %	12.5 %
PEP 38729 - Felix	(i)	- %	75.0 %	75.0 %
PEP 38499 - Toke	(ii)	12.5 %	- %	12.5 %

(i) PEP 38729 Felix was relinquished on the 7 November 2007.

(ii) PEP 38499 was granted by the Ministry of Economic Development on 16 May 2007 over part of the former Tui PEP 38460 exploration acreage.

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Half Year 30 June 2007 \$'000
Share of joint ventures' assets and liabilities			
Short term securities and cash deposits	9,458	9,375	5,034
Trade receivables	2,724	732	1,386
Field operation consumables	32	72	32
Petroleum interests	<u>156,662</u>	<u>-</u>	<u>110,374</u>
Total current and non-current assets	<u>168,876</u>	<u>10,179</u>	<u>116,826</u>
Current liabilities	<u>17,972</u>	<u>6,989</u>	<u>3,213</u>
Net assets held in Joint Ventures	<u>150,904</u>	<u>3,190</u>	<u>113,613</u>
Share of joint ventures' revenue, expenses and results			
Revenues	236	616	834
Expenses	<u>(10,878)</u>	<u>(2,640)</u>	<u>(621)</u>
Profit/(loss) before income tax	<u>(10,642)</u>	<u>(2,024)</u>	<u>213</u>

12 Exploration and evaluation, development and production assets

(a) Exploration and evaluation assets

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Opening balance	2,570	1,339	1,339
Expenditure capitalised	8,278	4,413	4,968
Expenditure written off	<u>(10,631)</u>	<u>(2,543)</u>	<u>(3,737)</u>
Closing balance	<u>217</u>	<u>3,209</u>	<u>2,570</u>

(b) Development assets

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Opening balance	215,880	102,045	102,045
Expenditure capitalised	44,550	34,415	110,343
Abandonment provision	2,081	-	2,100
Net finance costs capitalised	245	665	1,392
Deconsolidation of subsidiary assets	<u>(99,703)</u>	<u>-</u>	<u>-</u>
Transferred to production assets	<u>(52,349)</u>	<u>-</u>	<u>-</u>
Closing balance	<u>110,704</u>	<u>137,125</u>	<u>215,880</u>

Includes borrowing costs capitalised of \$0.7 million at 31 December 2007 (31 December 2006: \$3.0 million).

(c) Production assets

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Cost			
Opening balance	-	-	-
Transfer from development assets	52,349	-	-
Expenditure capitalised	3,051	-	-
Net finance costs capitalised	67	-	-
Amortisation for the period	<u>(8,022)</u>	<u>-</u>	<u>-</u>
Closing balance	<u>47,445</u>	<u>-</u>	<u>-</u>

Includes borrowing costs capitalised of \$3.0 million at 31 December 2007 (31 December 2006: \$nil).

13 Other financial assets

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Held-to-maturity investments	3,500	-	-
Available-for-sale investments	-	10,278	-
Refundable security deposits	43	4,910	5,537
Total other financial assets	<u>3,543</u>	<u>15,188</u>	<u>5,537</u>

14 Payables and provisions

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Trade payables	18,043	10,054	12,927
Employee provision	123	280	156
Accrued expenses	1,065	3,684	12,450
Interest payable	290	334	878
Royalties provision	6,528	-	-
Other payables	52	87	53
Total payables and provisions	<u>26,101</u>	<u>14,439</u>	<u>26,464</u>

15 Borrowings - current

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Secured			
Bank loans	42,819	-	37,000
Unsecured			
Short term loans	-	-	2,236
Total current borrowings	<u>42,819</u>	<u>-</u>	<u>39,236</u>

16 Borrowings - non-current

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Secured			
Bank loans	23,219	18,947	8,761
Unsecured			
Convertible notes	-	-	7,500
Total non-current borrowings	<u>23,219</u>	<u>18,947</u>	<u>16,261</u>

(a) Total secured borrowings

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Bank loans	<u>66,038</u>	<u>18,947</u>	<u>45,761</u>
Total secured borrowings (current and non-current)	<u>66,038</u>	<u>18,947</u>	<u>45,761</u>

(b) Borrowings of the Group comprise:

- Cash advance facility of US\$27.5 million (December 2006: US\$13.5 million) to fund the Tui development. The debt facility had been fully drawn by 30 June 2007. At 31 December 2007 the US\$6 million of the facility had been repaid.
- Cash advance facility of \$137.5 million to fund the Kupe development. At 31 December 2007 the \$23 million of the facility had been drawn from the facility.
- Short term revolving credit facility of \$15.0 million (December 2006: \$nil).
- Short term loans of \$2.3 million (December 2006: \$nil) from minority interest shareholders of PRCL. Short term loans were repaid in the half year to 31 December 2007.
- Convertible notes have been issued by PRCL that mature on 31 December 2008.

17 Contributed equity of the Group and Parent

	Unaudited Half Year 31 December 2007 Shares 000s	Unaudited Half Year 31 December 2006 Shares 000s	Audited Full Year 30 June 2007 Shares 000s	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
(a) Capital on issue						
Ordinary shares						
Fully paid shares	262,181	236,211	261,886	157,543	131,893	157,225
Partly paid or term paid shares	2,789	1,885	2,609	28	19	26
Treasury shares	<u>(5,865)</u>	<u>(5,865)</u>	<u>(5,865)</u>	<u>(2,794)</u>	<u>(2,794)</u>	<u>(2,794)</u>
	<u>259,105</u>	<u>232,231</u>	<u>258,630</u>	<u>154,777</u>	<u>129,118</u>	<u>154,457</u>
Options on issue	138,838	113,067	138,988	-	-	-
Rights on issue	<u>-</u>	<u>23,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17 Contributed equity of the Group and Parent (continued)

(b) Movements in ordinary share capital:

	Unaudited Half Year 31 December 2007 Shares 000s	Unaudited Half Year 31 December 2006 Shares 000s	Audited Full Year 30 June 2007 Shares 000s	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Opening	258,630	214,378	214,378	154,457	111,878	111,878
Movement						
Shares issued	295	17,500	43,174	318	17,229	42,563
Exercise of options	-	3	4	-	3	5
Partly paid or term paid shares issued	<u>180</u>	<u>350</u>	<u>1,074</u>	<u>2</u>	<u>8</u>	<u>11</u>
Closing	<u>259,105</u>	<u>232,231</u>	<u>258,630</u>	<u>154,777</u>	<u>129,118</u>	<u>154,457</u>

(c) Ordinary shares

Apart from the partly paid shares issued, all shares issued are fully paid. Each fully paid share issued is entitled to one vote.

(d) Partly paid shares

During the half year to 31 December 2007 the Company issued 180,000 partly paid shares (31 December 2006: 350,000), paid to NZ\$0.01 each, to participants in the ESOP. Partly paid shares are entitled to a vote in proportion to the amount paid up.

(e) Options

Each option entitles the holder to subscribe for one share in the capital of the Company at an exercise price of NZ\$1.50 exercisable anytime up to 30 June 2008. During the half year ended 31 December 2007 the 150,000 unlisted options, issued as part of an incentive program, were exercised.

(f) Rights issue

On the 30 November 2006 a prospectus was registered by the company for a rights issue of shares and options. The rights issue closed on the 19 January 2007.

(g) Treasury shares

The reserve for the Company's own shares comprises the cost of these shares held within the Group.

18 Related party transactions

Related parties of the company include those entities identified in note 9, 10 and 11 as subsidiaries, joint ventures and associates.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and none of the balances are secured.

At 30 June 2007 PRCL had a short term advance from NZOG of \$16 million and had issued a convertible note to NZOG of \$3.5 million. During the half year ended 31 December 2007 PRCL repaid the short term advance in full. The convertible note matures on the 31 December 2008.

There has been no other material transactions with related parties during the half year.

19 Employee share ownership plan

(a) Description of Employee Share Ownership Plan (ESOP)

NZOG Nominees Limited ('Nominees') held the following securities in the company in its capacity of plan company and trustee of the company's ESOP.

Other than the below option allocations, no NZOG securities held in the ESOP are subject to put or call options, nor are they used as security for borrowings by the NZOG group or any other person.

The NZOG Board's Remuneration Committee (which comprises only non-executive directors) nominates employees to participate in the ESOP and determines the numbers and exercise prices of options to be granted. Exercise prices are set at no less than market value at date of granting, to which an escalation factor generally applies.

	Unaudited Half Year 31 December 2007 Number 000s	Unaudited Half Year 31 December 2006 Number 000s	Audited Full Year 30 June 2007 Number 000s
NZOG shares allocated to employees			
Options to purchase shares/options	5,195	5,019	5,195
Saving shares/options	730	665	730
Partly paid or term paid shares	2,789	1,835	2,609
Unallocated	<u>100</u>	<u>143</u>	<u>100</u>
	<u>8,814</u>	<u>7,662</u>	<u>8,634</u>
Pan-Pacific Petroleum shares allocated to employees			
Options to purchase shares	<u>4,047</u>	<u>4,754</u>	<u>4,420</u>
	<u>4,047</u>	<u>4,754</u>	<u>4,420</u>

(b) Funding

NZOG group holds redeemable preference shares in Nominees at a book value of \$2.3 million (31 December 2006 \$2.3 million) which can be redeemed upon the company giving 60 days notice, from uncommitted funds held by Nominees from the exercise of options or other available sources which Nominees determines is reasonably available.

(c) Control

Nominees is an associate company of NZOG with independent directors. Voting rights in respect of NZOG shares vest in Nominees as to unallocated shares and to the respective employees in the case of allocated shares. The shareholders of Nominees hold the right to appoint the directors of Nominees.

20 Reconciliation of profit after income tax to net cash inflow from operating activities

	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Profit for the year	41,406	538	7,059
Minority interest	-	(47)	(298)
Depreciation and amortisation	8,255	103	207
Deferred Tax	15,868	(4,526)	(4,267)
Fair value gain/(loss) on options	2,048	-	(629)
Gain on dilution of investment in subsidiary	(11,201)	-	-
Gain on issue of shares in subsidiary	-	-	(3,924)
Gain on available for sale assets	-	-	(7,966)
Petroleum and coal exploration expenditure provided for or written off	10,631	2,551	3,698
Items classified as financing activities	982	-	366
Share of profits of associates	112	-	-
Net foreign exchange differences	(1,019)	432	791
Change in operating assets and liabilities			
Increase/(decrease) in trade creditors	7,433	(1,851)	(1,582)
(Increase)/decrease in trade debtors	(23,625)	2,208	2,402
Net cash inflow/(outflow) from operating activities	<u>50,890</u>	<u>(592)</u>	<u>(4,143)</u>

21 Commitments and contingent liabilities

(a) Capital expenditure commitments

As at 31 December 2007 the group had certain capital expenditure commitments in relation to the participation in the Kupe development and Tui production.

(b) Exploration expenditure commitments

In order to maintain the various permits, in which the group is involved, the group has ongoing commitments as part of its normal operations to meet various operational expenditures. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(c) General commitments

NZOG agreed to underwrite \$17.5 million of the \$60 million rights issue of shares announced by PRCL on 16 January 2008. By taking up its rights under the offer this prior obligation of providing up to \$25 million equity funding or other financial support to PRCL pursuant to a letter agreement dated 17 July 2007 will be satisfied in full.

(d) Contingent liabilities

As at 31 December 2007 the company had no contingent liabilities (31 December 2006:\$Nil).

22 Earnings per share

	Unaudited Half Year 31 December 2007 Cents	Unaudited Half Year 31 December 2006 Cents	Audited Full Year 30 June 2007 Cents
(a) Basic earnings per share			
Basic earnings per share	15.7	0.2	2.9
(b) Diluted earnings per share			
Diluted earnings per share	10.3	0.2	1.8
(c) Reconciliations of earnings used in calculating earnings per share			
	Unaudited Half Year 31 December 2007 \$'000	Unaudited Half Year 31 December 2006 \$'000	Audited Full Year 30 June 2007 \$'000
Profit for the period	41,406	491	6,761
Profit attributed to minority interest	-	47	298
Profit attributable to the ordinary equity holders of the company	<u>41,406</u>	<u>538</u>	<u>7,059</u>
(d) Weighted average number of shares used as the denominator			
	Unaudited Half Year 31 December 2007 Number 000s	Unaudited Half Year 31 December 2006 Number 000s	Audited Full Year 30 June 2007 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	264,618	224,560	242,526
Adjustments for calculation of diluted earnings per share:			
Options	<u>138,965</u>	<u>111,134</u>	<u>121,977</u>
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>403,583</u>	<u>335,694</u>	<u>364,503</u>

23 Explanation of transition to New Zealand equivalents to IFRSs

(a) At the date of transition to NZ IFRS: 1 July 2006

	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Assets			
Current assets			
Cash and cash equivalents	41,713	-	41,713
Receivables and prepayments	21,514	1	21,515
Inventory	116	-	116
Deferred expenditure	1,339	-	1,339
Total current assets	<u>64,682</u>	<u>1</u>	<u>64,683</u>
Non-current assets			
Investments in associates	2,280	-	2,280
Petroleum and coal interests	90,266	(90,266)	-
Exploration and evaluation assets	-	1,339	1,339
Development assets	-	102,045	102,045
Deferred expenditure	1,815	-	1,815
Property, plant and equipment	521	(82)	439
Intangible assets	-	83	83
Deferred tax assets	-	7,786	7,786
Other financial assets	7,205	4,776	11,981
Total non-current assets	<u>102,087</u>	<u>25,681</u>	<u>127,768</u>
Total assets	<u>166,769</u>	<u>25,682</u>	<u>192,451</u>
Liabilities			
Current liabilities			
Payables and provisions	10,009	49	10,058
Derivative financial instruments	-	322	322
Total current liabilities	<u>10,009</u>	<u>371</u>	<u>10,380</u>
Non-current liabilities			
Borrowings	16,982	-	16,982
Deferred tax liabilities	122	(122)	-
Restoration and rehabilitation provision	643	11,619	12,262
Total non-current liabilities	<u>17,747</u>	<u>11,497</u>	<u>29,244</u>
Total liabilities	<u>27,756</u>	<u>11,868</u>	<u>39,624</u>
Net assets	<u>139,013</u>	<u>13,814</u>	<u>152,827</u>
Equity			
Share capital	111,878	-	111,878
Reserves	2,891	852	3,743
Retained earnings	(14,091)	12,962	(1,129)
Parent entity interest	100,678	13,814	114,492
Minority interest	38,335	-	38,335
Total equity	<u>139,013</u>	<u>13,814</u>	<u>152,827</u>

23 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(b) At the end of the last half-year reporting period under previous NZ GAAP: 31 December 2006

	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Assets			
Current assets			
Cash and cash equivalents	35,206	-	35,206
Receivables and prepayments	2,920	1	2,921
Inventories	72	-	72
Current tax receivables	2	-	2
Deferred expenditure	1,827	-	1,827
Total current assets	40,027	1	40,028
Non-current assets			
Investments in associates	2,280	-	2,280
Petroleum and Coal interest	132,367	(132,367)	-
Exploration and evaluation assets	-	3,209	3,209
Development assets	-	137,125	137,125
Deferred expenditure	2,988	(248)	2,740
Property, plant and equipment	507	(203)	304
Intangible assets	-	203	203
Deferred tax assets	-	11,553	11,553
Other financial assets	9,492	5,696	15,188
Total non-current assets	147,634	24,968	172,602
Total assets	187,661	24,969	212,630
Liabilities			
Current liabilities			
Payables and provisions	14,399	40	14,439
Derivative financial instruments	-	277	277
Current tax liabilities	-	-	-
Total current liabilities	14,399	317	14,716
Non-current liabilities			
Borrowings	18,947	-	18,947
Deferred tax liabilities	229	(229)	-
Restoration and rehabilitation provision	740	11,180	11,920
Total non-current liabilities	19,916	10,951	30,867
Total liabilities	34,315	11,268	45,583
Net assets	153,346	13,701	167,047
Equity			
Share capital	129,118	-	129,118
Reserves	2,891	(2,659)	232
Retained earnings	(16,951)	16,360	(591)
Parent entity interest	115,058	13,701	128,759
Minority interest	38,288	-	38,288
Total equity	153,346	13,701	167,047

23 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(c) At the end of the last reporting period under previous NZ GAAP: 30 June 2007

	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Assets			
Current assets			
Cash and cash equivalents	35,383	-	35,383
Receivables and prepayments	2,678	(9)	2,669
Inventories	32	-	32
Derivative financial instruments	-	372	372
Deferred expenditure	3,999	-	3,999
Total current assets	<u>42,092</u>	<u>363</u>	<u>42,455</u>
Non-current assets			
Investments in associates	2,280	-	2,280
Petroleum and Coal interest	212,658	(212,658)	-
Exploration and evaluation assets	-	2,570	2,570
Development assets	-	215,880	215,880
Deferred expenditure	3,547	(328)	3,219
Property, plant and equipment	486	(185)	301
Intangible assets	-	188	188
Deferred tax assets	-	12,965	12,965
Other financial assets	5,536	1	5,537
Total non-current assets	<u>224,507</u>	<u>18,433</u>	<u>242,940</u>
Total assets	<u>266,599</u>	<u>18,796</u>	<u>285,395</u>
Liabilities			
Current liabilities			
Payables and provisions	26,428	36	26,464
Borrowings	39,236	-	39,236
Current tax liabilities	521	(62)	459
Total current liabilities	<u>66,185</u>	<u>(26)</u>	<u>66,159</u>
Non-current liabilities			
Borrowings	16,261	-	16,261
Restoration and rehabilitation provision	844	13,086	13,930
Total non-current liabilities	<u>17,105</u>	<u>13,086</u>	<u>30,191</u>
Total liabilities	<u>83,290</u>	<u>13,060</u>	<u>96,350</u>
Net assets	<u>183,309</u>	<u>5,736</u>	<u>189,045</u>
Equity			
Share capital	154,457	-	154,457
Reserves	2,891	(8,345)	(5,454)
Retained earnings	(7,464)	13,394	5,930
Parent entity interest	149,884	5,049	154,933
Minority interest	33,425	687	34,112
Total equity	<u>183,309</u>	<u>5,736</u>	<u>189,045</u>

23 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(a) Reconciliation of profit for the half-year ended 31 December 2006

	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Revenue	92	-	92
Expenses, excluding finance costs	(5,298)	(3)	(5,301)
Net finance costs	<u>2,406</u>	<u>(1,232)</u>	<u>1,174</u>
Profit/(loss) before income tax	<u>(2,800)</u>	<u>(1,235)</u>	<u>(4,035)</u>
Income tax (expense)/benefit	<u>(107)</u>	<u>4,633</u>	<u>4,526</u>
Profit/(loss) for the period	<u>(2,907)</u>	<u>3,398</u>	<u>491</u>
Profit attributable to minority interest	<u>47</u>	<u>-</u>	<u>47</u>
Profit/(loss) attributable to equity holders of the parent	<u>(2,860)</u>	<u>3,398</u>	<u>538</u>

(b) Reconciliation of profit for the year ended 30 June 2007

	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Revenue	4,922	(688)	4,234
Expenses, excluding finance costs	(10,710)	18	(10,692)
Net finance costs	<u>12,516</u>	<u>(3,044)</u>	<u>9,472</u>
Profit/(loss) before income tax	<u>6,728</u>	<u>(3,714)</u>	<u>3,014</u>
Income tax (expense)/benefit	<u>(399)</u>	<u>4,146</u>	<u>3,747</u>
Profit/(loss) for the period	<u>6,329</u>	<u>432</u>	<u>6,761</u>
Profit attributable to minority interest	<u>298</u>	<u>-</u>	<u>298</u>
Profit/(loss) attributable to equity holders of the parent	<u>6,627</u>	<u>432</u>	<u>7,059</u>

23 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(1) Reconciliation of cash flow statement for the year ended 30 June 2007

The adoption of NZ IFRSs has not resulted in any material adjustments to the cash flow statement.

(2) Notes to the reconciliations

(a) Available for sale investments

Under NZ IFRS the investment in Resource Investments has been classified as an available-for-sale financial asset, which is remeasured at fair value. Changes in fair value are recognised as a movement in the Available for Sale Reserve. Subsequent disposal of the Resource Investment will result in the change in fair value, previously recognised in equity, being recycled through to the profit and loss.

(b) Change in Functional Currency

On transition to NZ IFRS the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). From the entities within the Group in functional currency used is New Zealand dollars, with exception to the following:

- Stewart Petroleum Company Ltd – United States dollars
- ANZ Resources Pty Ltd – Australian dollars

The results and financial position of foreign operations that have a functional currency different from the presentation currency have been translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented were translated at the closing rate at balance date;
- income and expenses for each income statement were translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences were recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

(c) Reclassification of Exploration, Development and Production assets

Under NZ IFRS Petroleum and Coal interest as classified according to the phase of the research and development project.

- Expenditure on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is expensed to the statement of financial performance.
- Exploration and evaluation expenditure are capitalised as incurred in relation to separate areas of interest such as costs are expected to be recouped through successful development of the area of interest, or alternatively, by its sale; or Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.
- Upon technical feasibility and commercial viability of an area of interest, Exploration and Evaluation assets for the area of interest is transferred to Development assets.
- No amortisation is provided, in respect of development assets, until they are reclassified as Production assets.

(d) Restatement of Asset Revaluation Reserve

With the transition to NZ IFRS the asset revaluation reserve is no longer recognised. The impact of this change in treatment at 1 July 2006 is to reverse it out of equity and the related investment in the Statement of Financial Position, therefore restating the development asset to historical cost, and reserve out any impairment in retained earnings.

23 Explanation of transition to New Zealand equivalents to IFRSs (continued)

(e) Provision for Abandonment

Under NZ IFRS the restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities included are the removal of facilities, abandoning of wells, abandoning of mines and restoring the affected areas.

(f) Derivative financial instruments

Under NZ IFRS derivative financial instruments, that do not qualify for hedge accounting, are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of financial performance.

(g) Deferred tax liability

Under NZ IFRS deferred tax is provided using the balance sheet approach rather than the income statement approach currently applied. The balance sheet approach provides for all temporary differences between the carrying amount of assets and liabilities for accounting and tax purposes. Deferred tax has been recognised in the statement of financial performance except to the extent that it relates to items recognised directly in equity or as part of a business combination.

The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

24 Events occurring after the balance sheet date

In February 2008 NZOG made a commitment to expenditure of approximately \$8 million to drill the Momoho exploration well. Momoho is part of the PML 38146 Kupe permit.



Auditors' review report

To the shareholders of New Zealand Oil & Gas Limited ('the Company')

We have completed a review of the condensed interim financial statements on pages 2 to 34 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The condensed interim financial statements provide information about the past financial performance of the Company and its financial position as at 31 December 2007.

Directors' responsibilities

The Directors of the Company are responsible for the preparation of condensed interim financial statements which give a true and fair view of the financial position of the Company as at 31 December 2007 and the results of its operations for the half year period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the condensed interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements on pages 2 to 34 do not give a true and fair view of the financial position of the Company as at 31 December 2007 and the results of its operations for the half year period ended on that date.

Our review was completed on 27 February 2008 and our opinion is expressed as at that date.

A handwritten signature in blue ink that reads 'KPMG'.

Wellington

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